IN THE

Supreme Court of the United States

OCTOBER TERM, 1925.

No. [redacted]87

INDEPENDENT WIRELESS TELEGRAPH COMPANY,

Petitioner,

vs.

RADIO CORPORATION OF AMERICA,

Respondent.

ON A WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

BRIEF FOR PETITIONER.

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INDEPENDENT WIRELESS TELEGRAPH COMPANY, *Petitioner,* vs. RADIO CORPORATION OF AMERICA, *Respondent.*	On Writ of Certiorari.

BRIEF FOR PETITIONER.

This case comes up on a writ of certiorari to review the decision of the Circuit Court of Appeals for the Second Circuit (R., 58, 297 Fed., 521) refusing to dismiss the bill of complaint and reversing the District Court (R., 50, 297 Fed., 518) which had dismissed the bill for lack of parties plaintiff.

Accepting as well-established the rule that a licensee under a patent cannot maintain suit in its own name or in the name of the patent owner without joining the patent owner where that licensee

has no exclusive territorial rights and no undivided interest in the whole patent and where the patent owner is not the infringer*; the questions presented are:

1. Is the mere addition of the patent owner's name to the caption of the bill of complaint, coupled with a recital that he declined to join as party plaintiff, an effective joinder of the patent owner and an effective compliance with the above stated rule?

2. Does the grant of a license for certain limited purposes without exclusive territorial rights and without an undivided interest in the whole patent carry with it an implied power running from the patent owner to the licensee to sign the bill of complaint as agent for the patent owner against the will of the patent owner?

3. Does such an implied power reside in a sub-licensee who has no right to exclude the patent owner and whose only exclusive right arises by contract, and is the right to use and sell apparatus manufactured under the patent by an intermediate licensee (its licensor) coupled with a non-exclusive right to manufacture such apparatus for use and sale in a limited field when its licensor cannot supply the demand?

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*Waterman vs. Mackenzie, 138 U. S., 252; Gayler vs. Wilder, 10 How., 477; Crown Co. vs. Nye Tool Works, 261 U. S., 24.

The Facts.

The infringement alleged by the Radio Corporation of America (bill of complaint, paragraph 22, R., 6) is the Independent Wireless Telegraph Company's use *for reception of commercial wireless telegraph communications* of vacuum tubes sold by the respondent, Radio Corporation of America, which tubes bore a notice that they were "licensed for amateur and experimental purposes only." The petitioner, Independent Wireless Telegraph Company, objects to the suit in its present form for the reason that it would be subject to a second suit for recovery by the DeForest Radio Telephone and Telegraph Company, holder of the legal title to the patents, which is not a party to this suit.

The merit of this contention is made very striking by the recent case of *DeForest Radio Telephone and Telegraph Company* vs. *Radio Corporation of America* in the District Court of Delaware. In that case the DeForest Company brought suit on the very patents here in suit, and was awarded a preliminary injunction by which Judge Morris (3 Fed., 2nd, 847) restrained the Radio Corporation of America, the present respondent, from selling vacuum tubes made by a subsidiary of the Westinghouse Company, a licensee.

Title to the Patents in Suit.

The bill of complaint alleges the title to the patents in suit is in the DeForest Radio Telephone and Telegraph Company. It recites (para-

graph 8, R., 2) that "the entire right, title and interest in, to and under said Letters Patent Nos. 841,387 and 879,532 * * * was duly transferred from said DeForest to * * * and became vested in the plaintiff, DeForest Radio Telephone and Telegraph Company, its successors and assigns; that on or about March 16, 1917, by an agreement in writing * * * the plaintiff, DeForest Radio Telephone and Telegraph Company, transferred to the Western Electric Company, Inc., * * * a license under said Letters Patent Nos. 841,387 and 879,532 * * * and that on or about the 24th day of May, 1917, * * * said Western Electric Company, Inc., sold, assigned and transferred to the defendant, American Telephone and Telegraph Company, its successors, legal representatives and assigns, all its right, title and interest in, to and under said agreement of March 16, 1917, between said plaintiff, DeForest Radio Telephone and Telegraph Company and said Western Electric Company, Inc."

The DeForest Company is not a party to the present action, is not within the jurisdiction of the Court, and, as recited in paragraph 25 of the bill of complaint, "before filing its bill of complaint the DeForest Radio Telephone and Telegraph Company was requested to consent to join as a co-plaintiff herein but declined * * * and that * * * said DeForest Radio Telephone and Telegraph Company was made a plaintiff herein without its consent."

The Rights of the Radio Corporation of America.

The Radio Corporation of America derives its rights under the patents in suit by the so-called

"Radio Group Agreements" (R., 21-49 inc.) involving the American Telephone and Telegraph Company, the General Electric Company, the Western Electric Company, the Radio Corporation of America and others which do not appear from the present record. The agreements are detailed and involved, but the plan of the division of rights is simple.

It was attempted to pool the patent rights of the several companies and by contract divide up those rights so as to leave each company unhampered and free from competition in its own particular commercial field (R., 34). The rights conveyed in each instance were to be enjoyed, by the terms of the contract, to the exclusion of the other contracting companies.

The American Telephone and Telegraph Company obtained the rights under the patents for the wire telephone and telegraph communication field where service was rendered for profit (R., 38 and 41).

The General Electric Company secured the rights for commercial radio telegraphy and transoceanic radio telephony (R., 38).

The Radio Corporation of America was to be an operating company for commercial radio and a sales organization for amateur radio. The General Electric Company reserved the right to manufacture for the Radio Corporation of America all the apparatus used or sold by it. The Radio Corporation of America could manufacture under the patents only in the event that the General Electric Company could not supply it with the necessary apparatus.

The granting clause to the Radio Corporation of America, being the most important for the purposes of the present case, is here quoted:

"ARTICLE I—DEFINITIONS.

1. Radio purposes is defined as the transmission or reception of communications, telegraphic, telephonic or other, by what are known as electromagnetic waves, but not by wire.

* * * * * * *

ARTICLE II—LICENSES.

1. Reserving to itself and its controlled companies, present and future, respectively, personal licenses, transferable only to the successors to their business or part thereof and divisible only as their business is divided, to use for their own communication or other purposes for convenience or to save expense, but not for profit, the General Company hereby grants to the Radio Corporation an exclusive, divisible license to use and sell as well as a non-exclusive, indivisible license to make only when, and to the extent that, the General Company is not in a position to supply the desired device with reasonable business promptness (the right to use and sell being limited to the use and sale of apparatus purchased from the General Company or with its written consent, so far as the General Company is from time to time in condition to supply the same with reasonable business promptness) for radio pur-

poses under all patents, applications for patents, inventions and rights or licenses under or in connection with patents which the General Company now owns or controls, or which it may acquire during the term hereof except those acquired by purchase and referred to below" (R., 22, 23).

The result of these agreements is that none of the contracting companies has any exclusive territorial rights and none has any undivided interest in the patent monopoly that it did not have prior to the making of these contracts. The only right of exclusion or, in the terms of the contracts, "exclusive right" held by the several companies is *the right to exclude the other contracting companies from the commercial fields which they have agreed not to enter.*

When we narrow the discussion down to the particular commercial field in which the infringement is alleged to have occurred, we find that all the contracting companies have certain rights in this field, and that the rights of the Radio Corporation of America are "exclusive" *except for those rights.* The bill of complaint (paragraph 22, R., 6) alleges that the defendant purchased or acquired vacuum tubes sold by the Radio Corporation of America and used said tubes "in receiving commercial wireless telegraph communications or wireless telegraph messages for pay or profit."

In this field of commercial wireless telegraphy for pay or profit the Radio Corporation of America has only the right to use and sell, the General Electric Company having reserved the

right to make all apparatus for the Radio Corporation of America.

The American Telephone and Telegraph Company in its agreement with the General Electric Company (Article IV, Sec. 2, R., 37, and Article V, Sec. 2, R., 38) reserved the right to operate under the patents in the field of wireless telegraphy, the only restriction being that it be not undertaken for profit or for the transmission of messages for the public.

The patent owner, the DeForest Radio Telephone and Telegraph Company, also has rights within this field. By the agreement with the Western Electric Company (from which the rights of the Radio Corporation of America in the patents in suit are derived) (Sec. 4, R., 19), the DeForest Company reserved rights to make and use for radio distribution of news and music. There is no restriction that the apparatus be not used for distributing news and music for pay and profit. This field therefore overlaps the field in which the Radio Corporation claims its rights are exclusive, namely, "transmission or reception of communications, telegraphic, telephonic or other, by what are known as electro-magnetic waves" (R., 22).

We have, therefore, even within the Radio Corporation's restricted field, rights existing in the General Electric Company, the American Telephone and Telegraph Company and the DeForest Radio Telephone and Telegraph Company. How can it be said that the Radio Corporation of America has exclusive rights under the patents in suit? The most that can be urged is that it has the right by contract to prevent the other

contracting companies from doing certain acts within specified fields. Under the well-settled law and the Patent Statutes, it has no interest in the patent monopoly, and therefore no right of exclusion under the patents.

The Decision of the District Court.

(R., 50, fol. 103, 297 Fed., 518.)

The District Court based its decision not on the character of the license of the Radio Corporation, but on the more fundamental ground that the reservation by the DeForest Company, in the original license to Western Electric Co. upon which all the subsequent licenses depend, of the non excluseve personal right to make, sell and use the inventions for its own profit make the DeForest Company a necessary party plaintiff under the doctrine of *Gayler* vs. *Wilder*, 10 How., 477; *Waterman* vs. *Mackenzie*, 138 U. S., 252. The District Judge intimated that it might be questioned whether the rule is based on any necessity in justice and said that the lower Federal Courts have tried to break its force in:

Brush Swan vs. *Thompson-Houston*, 48 Fed., 224;
Brush Swan vs. *California*, 52 Fed., 945;
Excelsior Co. vs. *Allen*, 104 Fed., 553;
Excelsior Co. vs. *Seattle*, 117 Fed., 140;
Hurd vs. *Goold*, 203 Fed., 998.

He thought these efforts had been disapproved by this Court in *Crown Co.* vs. *Nye Tool Works*, 261 U. S., 24, and said he could not suppose that the decision in that case turned only upon the

failure of the plaintiff to add the name of the owner to the caption of the bill of complaint, or as being satisfied by the theory evolved in the Ninth Circuit that the grant of a license carried with it by implication a right in the licensee to join the owner as plaintiff in a suit on the patent.

Decision of the Court of Appeals.

(R., 58, fol. 132, 297 Fed., 521.)

The Court of Appeals held that even such a license as that held by the Radio Corporation of America is sufficient to entitle it to maintain an action in the name of the patent owner without his cooperation and against his objection; that the Radio Corporation's license carried with it an implied power to sign the name of the patent owner (DeForest Company) to the bill of complaint.

The Court of Appeals proceeded on the assumption that the legal title was in the DeForest Company as pleaded; found that the Radio Corporation "acquired an exclusive license to *use and sell* devices and vacuum tubes in the fields therein specified" and held that sort of a license sufficient to enable the Radio Corporation to sue in the name of the DeForest Company.

The Practical Effect of the Decision of the Court of Appeals.

Quite aside from the other limitations of the Radio Corporation's license (ante, page 6) it is quite clear that such a license, which is limited to the right to use and sell and does not include the exclusive right to make, is, in the language of

Waterman vs. *Mackenzie, supra,* "a mere license, giving the licensee no title in the patent, and no right to sue at law in his own name for an infringement."

It is the effect of the decision of the Court of Appeals to hold that such a mere licensee, having no right to sue in his own name, has nevertheless, on the theory of implied agency, the right to sue in the name of the owner of the patent.

The Court of Appeals evidently did not think, as the District Judge thought, that the decision of this Court in *Crown Co.* vs. *Nye Tool Works* was inconsistent with this holding.

Thus the real issue in the case at bar, as we see it, is whether this Court does or does not think that the rule of *Waterman* vs. *Mackenzie* reiterated in *Crown Co.* vs. *Nye Tool Works* is effectively complied with when any holder of "a mere license" writes into the caption of the bill of complaint the name of the owner of the patent and avers in the bill of complaint that the owner of the patent refuses to join.

The Court of Appeals, resting its decision on such a license as that held by the Radio Corporation, puts the power to bring suit under the patent in the hands of any licensee who has exclusive rights of any character; whether they do or do not exclude the patent owner or other licensees.

Certain it is that such relaxation of the rule throws open the door to those evils mentioned by this Court in *Gayler* vs. *Wilder, Waterman* vs. *Mackenzie* and *Crown* vs. *Nye Tool Works,* and would "permit several monopolies to be made out of one and divided among different persons within the same limits" which this Court said was not the intention of the legislature.

No such broad relaxation of the rule suggested itself to the mind of the District Court.

It may perhaps be inferred from the opinion of the District Court that the Court thought the rule might well be relaxed, without danger of injustice, in the specific case where the license was of such a character that there remained in the patentee no right of exclusion at all; since in that case the licensor could not, the District Court thought, sue the infringer. The District Court assumed that the facts in the case at bar presented such an issue, but on the very patents here in suit the DeForest Company has sued the present respondent Radio Corporation of America, as an infringer in the District of Delaware, and the District Court there has held that the DeForest Company has sufficient title to maintain the suit and has granted an injunction (3 F., 2nd, 847).

No doubt it might often happen, where the grantor reserved to himself the right to make, use or sell, that the Courts would differ on the facts of particular cases as to whether the grantor had or had not reserved any right to exclude. That seems to us to illustrate the wisdom of the quite definite rule heretofore applied by this Court, and to show that even such a limited relaxation of the rule as Judge Hand seemed to approve, but felt compelled by the decisions of this Court not to make, is an undesirable thing.

However that may be, the relaxation of the rule inherent in the decision of the Court of Appeals in the case at bar goes far beyond anything suggested by the District Court. Under that relaxation any one of the companies involved in the so-called "radio group agreements" has the

power to bring suit against this defendant, and all for the same act of infringement if it seems to each of them that the infringing act is a violation within its peculiar field.

It would be difficult to think of a more effective way of making several monopolies out of one; and we are persuaded, as the District Court was persuaded, that the decision in this Court in *Crown Co.* vs. *Nye Tool Works* prohibited such things and did not turn only upon the failure of the plaintiff to add the name of the owner to the caption and to recite that the owner refused to join in the suit.

It is true that in the case of Crown Co. vs. Nye Tool Works this Court did not consider the effect which a license existing in the plaintiff Nye Tool Works, would have on the right to sue. That distinction has not heretofore been treated as a vital one, either by the Radio Corporation of America or by the Court of Appeals of the Second Circuit. Both the Radio Corporation and the Court of Appeals of the Second Circuit have assumed that an assignment precisely like that involved in the case of Crown Co. vs. Nye is ineffective even in the hands of the Radio Corporation.

In July, 1922, the Radio Corporation of America brought suit on these patents against *Hohenstein, et al.* The right to maintain the action in that case was asserted upon an assignment identical with that considered by this Court in the case of Crown vs. Nye, supra. After the decision in Crown vs. Nye, supra, the Circuit Court of Appeals, on that authority held the bill of complaint in the Hohenstein case defective for lack of parties (289 Fed., 757).

Another action, against *Emerson, et al.,* had been brought by the Radio Corporation of America on the same patents and based on an assignment as in the Hohenstein case. After the decision of this Court in the case of Crown vs. Nye, supra, motions were made in the Emerson case—by defendant to dismiss the bill of complaint and by plaintiff for leave to amend. The motion to dismiss was denied, and the plaintiff Radio Corporation of America was granted leave to amend by joining the DeForest Radio Telephone and Telegraph Company. Thereupon the DeForest Radio Telephone and Telegraph Company *actually signed the bill of complaint and appeared in the action.* The Circuit Court of Appeals for the Second Circuit held that the bill of complaint in that case was properly brought (296 Fed., 51).

These proceedings constitute in effect a recognition that in suits brought on the patents here involved by the Radio Corporation, the DeForest Company was a necessary party, and for that reason the Radio Corporation of America attempted to join DeForest Radio Telephone and Telegraph Company in this suit. The DeForest Company, being outside of the jurisdiction of the Court, could not be brought in as a party defendant. The Radio Corporation sought to join the DeForest Company as a party plaintiff by typewriting its name in the caption of the bill of complaint and reciting its refusal to join in paragraph 25. That attempt the District Court disapproved, on the authority of the decision of this Court in Crown vs. Nye. The Court of Appeals reversed the District Court and approved the procedure on the theory that even such a license as

that held by the Radio Corporation of America authorizes the licensee to bring suit in the name of the patent owner.

It seems to us that the question may be stated in this way: Is the Statute Sec. 4898 R. S. and are the decisions of this Court in *Gaylor* vs. *Wilder, Waterman* vs. *Mackenzie* and *Crown* vs. *Nye, supra,* an effective prohibition against making several monopolies out of one, and dividing them among different persons within the same limits and an effective protection against successive recoveries for damages of different persons holding different portions of a patent right; or does the statute, and do those decisions of this Court, concern themselves with a mere formality?

The immediate practical effect of upholding the decision of the Court of Appeals in the case at bar would be to enable the Radio Corporation of America to bring suit upon hundreds of patents owned by the General Electric Company, the Westinghouse Electric and Manufacturing Company, the American Telephone and Telegraph Company, the DeForest Radio Telephone and Telegraph Company, Western Electric Company, or any other person or corporation that may be taken into the Radio Corporation group by similar exchange of patent license rights. Out of each patent monopoly several will be made, distributed among different persons within the same limits, and manufacturers of radio apparatus will be obliged to defend themselves against successive attacks because of a single alleged infringing act.

Respectfully submitted,

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